

**State Water Infrastructure Authority**  
**Meeting Date – April 16-17, 2025**  
**Agenda Item L**  
**Final Priority Rating Systems for Water and Wastewater Projects**

---

**Division of Water Infrastructure Staff Report**

**Background**

The federal Clean Water Act and federal Safe Drinking Water Act provide states with the broad authority to implement and operate State Revolving Fund (SRF) loan programs, including project funding prioritization. North Carolina General Statute (G.S.) 159G-71 empowers the State Water Infrastructure Authority (Authority) to establish priorities for making loans and grants consistent with federal law.

The US Environmental Protection Agency (USEPA) requires the Division of Water Infrastructure (Division) to update its Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs. Included within each program’s IUP is the Priority Rating System (PRS), which establishes the points applied by Division staff when an application for funding is evaluated. Each year, the Division submits the IUPs with the PRSs to the USEPA as part of the capitalization grant applications for the DWSRF and CWSRF programs.

These PRSs are currently applied to infrastructure construction projects funded by the SRFs, the Infrastructure Investment and Jobs Act (IIJA) SRF Emerging Contaminants (EC), the State Drinking Water Reserve (SDWR), State Wastewater Reserve (SWWR), and the Viable Utility Reserve (VUR). A similar PRS is applied in the Community Development Block Grant-Infrastructure program.<sup>1</sup> The PRSs include four categories:

1. Category 1 – Project Purpose
2. Category 2 – Project Benefits
3. Category 3 – System Management
4. Category 4 – Affordability

The current PRSs provide a consistent and transparent methodology for prioritization that aligns with the Authority’s Master Plan and with statutory requirements. The PRSs support applicants in their continued efforts toward long-term utility viability.

**Background Related to Line Item 2.N**

In September 2016 and September 2018, Hurricanes Matthew and Florence, respectively, severely damaged water and wastewater utilities across the eastern part of the state. As a result of the impacts from these hurricanes within the Southeast, President Trump signed into law P.S. 116-20, the “Additional Supplemental Appropriations for Disaster Relief Act, 2019” (ASADRA). In the ASADRA IUPs for the CWSRF and DWSRF, the Authority approved PRSs that contained three items related to moving or fortifying infrastructure or repairing damaged

---

<sup>1</sup> See Agenda Item M for more information regarding changes to the CDBG-I PRS.

infrastructure (Line Items 2.N.1 through 2.N.3.). In the FY 2020-2021 CWSRF and DWSRF IUPs, the Authority approved changes to the CWSRF and DWSRF PRSs related to incorporating resilience and moving infrastructure within floodplains or out of the floodplain. These line items are currently denoted as Line Items 2.N.1 through 2.N.7.

Hurricane Helene struck the western part of North Carolina on September 27, 2024, and devastated water and drinking water infrastructure in many communities in that part of the state, demonstrating the need to protect infrastructure from flood events. In addition, public comments received in prior years indicated a need to ensure that infrastructure built using funding from the funding programs is protected from flood events. These recent events highlight a need to review the 2.N.1 through 2.N.7 line items.

At its February 2025 meeting, the Authority approved draft PRSs for public review for drinking water and wastewater projects funded by the following programs:

- State Revolving Funds
  - DWSRF (Base program and the Emerging Contaminants program)
  - CWSRF (Base program and the Emerging Contaminants program)
- State Reserve (SDWR and SWWR)
- Viability Utility Reserve (Construction projects only)

The draft PRSs included proposed updates to Line Item 2.N, moving Line Item 2.N.7 into a new Line Item 2.T, and added a new Line Item 3.F. The updates are shown in red font text in the tables displaying the proposed PRSs, beginning on page 4. These proposed updates were presented to the public for a public comment period.

### **Public Comments and Staff Response**

The public comment period on the proposed PRS changes ran from February 28, 2025, through March 31, 2025. One comment was received that was related to the PRSs. The following summarizes the comment, provides the staff response, and includes staff recommendations for action on the PRSs. Division staff appreciate all comments received during the public comment period. The following comment also applies to the PRSs for BIL Emerging Contaminants funding and to the CDBG-I PRS.<sup>2</sup>

The tables at the end of the staff report show the proposed PRSs for drinking water and wastewater, including the proposed changes to the line items which were approved by the Authority in February 2025 and presented to the public for comment using red-font text.

#### **Line Item 2.N**

**Comment:** The proposed rating system merges relocation and general improvement to assure continued operation. Both ends can be worthwhile, of course, but conflating those two things may lead to suboptimal choices for resilience planning. Hardening or elevating for a flood event is valuable if that event cannot be avoided. However,

---

<sup>2</sup> Agenda Item M contains the staff report for the CDBG-I PRS.

relocation to a place of reduced or eliminated risk is preferable. Much like the UFMP only allows state property to be constructed in the 100-year or 500-year floodplain under special circumstances (otherwise, property has to be outside the 500-year floodplain), we believe the Division’s scoring should maximally incentivize infrastructure located outside of these areas, instead of having it be on par with improvements that leave infrastructure in a higher risk area.

We see two possible ways to treat this issue. The first would be like the UFMP, using a threshold and waiver approach. Project applications would have to either demonstrate that they are outside of the 100-year floodplain or that there is no feasible alternative. From there, the project could propose hardening, elevation, or other improvements that would allow for continued operation.

A second option would be to word line items 2.N.1 and 2.N.2 in the following manner: “Project demonstrates maximally effective feasible resilience measures in the 500/100-year floodplain.” This would require the Division to assess whether the project was taking the best approach to eliminate risk from storm events, first through relocation and then secondly through other measures. Only then would the application score points for those line items.

**Response:** These recommendations will be considered when evaluating project applications as well as developing PRS guidance for SRF Helene Recovery programs. New construction in 100-year and 500-year flood plain will be evaluated carefully during the Engineering Report and Environmental Information Document review. The Division accepts the first recommendation, and the application guidance narrative related to line item 2.N will be updated to include that an awarded project within a floodplain must evaluate the option to relocate the infrastructure outside of the floodplain before proposing other improvements to allow continued operation during the flood event.

**Division staff recommend no change in PRS; however the guidance will be updated as described in the previous sentence.**

#### Line Items 2.T and 3.F

The Division received no public comments on these line items.

#### **Staff Recommendation**

Staff recommend that the Authority approve the proposed Priority Rating System for Drinking Water Projects and the proposed Priority Rating System for Wastewater Projects, as shown in the tables on the following pages, as final.

## Priority Rating System for Drinking Water Projects (New changes in red text)

Proposed 2025 PRIORITY RATING SYSTEM for Drinking Water Projects				
<i>Instructions: For each line item, mark "X" to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.</i>				
Line Item #	EC Line Item†	Category 1 – Project Purpose <i>(Points will be awarded for only one Project Purpose)</i>	Claimed Yes/No	Points
1.A		Project will consolidate a nonviable drinking water or wastewater utility		25
1.B		Project will resolve failed or failing infrastructure issues		22
1.C		Project will rehabilitate or replace infrastructure, including replacement by regionalization projects		12
1.C.1		Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old <b>OR</b> lead service lines		8
1.D		Project will expand infrastructure		2
1.D.1		Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.E		Project will provide service to disadvantaged areas		20
1.F – 1.I		Reserved for other programs		
1.J		Project addresses PFAS emerging contaminants		
1.J.1	EC	Sole purpose of the project is to address Emerging Contaminants (construction projects) where 100% of the costs are associated with this purpose <b>OR</b>		12
1.J.2	EC	At least 75% of the project costs are to address Emerging Contaminants (construction projects) <b>OR</b>		5
1.J.3		Reserved for EC-Study Program. Please use the appropriate guidance and the rolling application.		
<b>Maximum points for Category 1 – Project Purpose</b>				25
<b>Subtotal claimed for Category 1 – Project Purpose</b>				

Proposed 2025 PRIORITY RATING SYSTEM for Drinking Water Projects				
Line Item #	EC Line Item <sup>†</sup>	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A		Reserved for other programs		
2.B		Project provides a specific public health benefit		
2.B.1		Project addresses dry wells or contamination of a drinking water source; or resolves managerial, technical & financial issues		20
2.B.2		Projects that eliminate lead service lines		10
2.C		Reserved for other programs		
2.D		Project addresses promulgated but not yet effective regulations		10
2.E		Project directly addresses enforcement documents		
2.E.1		Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, <b>OR</b>		5
2.E.2		Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F		Project includes system merger or regionalization		
2.F.1		Project includes system merger <b>OR</b>		10
2.F.2	EC	Project includes system regionalization and/or system partnerships		5
2.G		Project addresses documented low pressure		10
2.H		Project addresses contamination		
2.H.1		Project addresses acute contamination of a water supply source <b>OR</b>		15
2.H.2		Project addresses contamination of a water supply source other than acute <b>OR</b>		5
2.H.3	EC	Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits <b>OR</b>		2
2.H.4	EC	Project addresses PFAS exceeding proposed or promulgated MCL or Hazard Index		5
2.I		Project improves treated water quality by adding or upgrading a unit process		3
2.J		Water loss in system to be rehabilitated or replaced is 30% or greater		3

Proposed 2025 PRIORITY RATING SYSTEM for Drinking Water Projects				
2.K		Project provides a public water system interconnection		
2.K.1		Project creates a new interconnection between systems not previously interconnected <b>OR</b>		10
2.K.2		Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency <b>OR</b>		10
2.K.3		Project creates any other type of interconnection between systems		5
2.L – 2.M		Reserved for other programs		
2.N		Project moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain		
2.N.1		Project relocates and/or improves infrastructure to assure continued operation during a 500-year flood event <b>OR</b>		8
2.N.2		Project relocates and/or improves infrastructure to assure continued operation during a 100-year flood event		5
2.O – 2.S		Reserved for other programs		
2.T		Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		3
Maximum points for Category 2 – Project Benefits				35
Subtotal claimed for Category 2 – Project Benefits				
Line Item #	EC Line Item <sup>†</sup>	Category 3 – System Management	Claimed Yes/No	Points
3.A		Capital Planning Activities		
3.A.1	EC	Applicant has implemented an Asset Management Plan as of the date of application <b>OR</b>		10
3.A.2	EC	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan		2
3.B	EC	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5% of MHI		5
3.C		Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
3.D		Applicant has implemented a water loss reduction program		5
3.E		Applicant has implemented a water conservation incentive rate structure		3
3.F		Applicant has completed a local flood resiliency action plan with the proposed project included in the plan		5

<b>Proposed 2025 PRIORITY RATING SYSTEM for Drinking Water Projects</b>				
<b>Maximum points for Category 3 – System Management</b>				15
<b>Subtotal claimed for Category 3 – System Management</b>				
<b>Line Item #</b>	<b>EC Line Item<sup>†</sup></b>	<b>Category 4 – Affordability</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>4.A</b>		Residential Connections		
4.A.1	EC	Less than 10,000 residential connections <b>OR</b>		2
4.A.2	EC	Less than 5,000 residential connections <b>OR</b>		4
4.A.3	EC	Less than 1,000 residential connections		8
<b>4.B</b>		Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	EC	Greater than the 50 <sup>th</sup> Percentile <b>OR</b>		4
4.B.2	EC	Greater than the 70 <sup>th</sup> Percentile <b>OR</b>		6
4.B.3	EC	Greater than the 85 <sup>th</sup> Percentile <b>OR</b>		8
4.B.4	EC	Greater than the 95 <sup>th</sup> Percentile		10
<b>4.C</b>		Local Government Unit (LGU) Indicators		
4.C.1	EC	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		3
4.C.2	EC	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		5
4.C.3	EC	5 out of 5 LGU indicators worse than state benchmark <b>OR</b>		7
4.C.4	EC	Project benefits disadvantaged areas		5
<b>4.D – 4.G</b>		Reserved for other programs		
<b>Maximum points for Category 4 – Affordability</b>				25
<b>Subtotal claimed for Category 4 – Affordability<sup>‡</sup></b>				
<b>Total of Points for All Categories</b>				
<b>Total Points for EC funding (if applicable)</b>				

† Only line items marked with “EC” will be used in scoring eligible applications for DWSRF-EC funding. These applications will also be scored using the full PRS for all other drinking water funding sources.

‡ Local government units under Local Government Commission’s fiscal control that have received an Emergency Operating Grant under NC GS 159G-34.5 in the current or prior fiscal year qualify for the maximum points for Category 4: Affordability.

## Priority Rating System for Wastewater Projects (New changes in red text)

Proposed 2025 PRIORITY RATING SYSTEM for Wastewater Projects				
<p><u>Instructions:</u> For each line item, mark "X" to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.</p>				
Line Item #	EC Line Item†	Category 1 – Project Purpose (Points will be awarded for <u>only one</u> Project Purpose)	Claimed Yes/No	Points
1.A		Project will consolidate a nonviable drinking water or wastewater utility		25
1.B		Project will resolve failed or failing infrastructure issues		20
1.C		Project will rehabilitate or replace infrastructure, including replacement by a regionalization projects		12
1.C.1		Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, or tanks to be rehabilitated or replaced are greater than 40 years old		8
1.D		Project will expand infrastructure		2
1.D.1		Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.E		Project will provide service to disadvantaged areas		20
1.F		Reserved for other programs		
1.G		Project will provide stream/wetland/buffer restoration		10
1.G.1		Restoration project that includes restoration of a first order stream and includes stormwater infiltration SCMs		5
1.G.2		Restoration project that includes restoration and/or protection of riparian buffers to at least 30 feet on both sides of the stream		5
1.H		Project will provide SCMs to treat existing sources of pollution		10
1.H.1		Project that includes SCMs in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction		10
1.I		Project will provide reclaimed water/usage or rainwater harvesting/usage		10
1.J		Project addresses PFAS emerging contaminants		
1.J.1	EC	Sole purpose of the project is to address Emerging Contaminants (construction projects) where 100% of the costs are associated with this purpose <b>OR</b>		12
1.J.2	EC	At least 75% of the project costs are to address Emerging Contaminants (construction projects) <b>OR</b>		5



Proposed 2025 PRIORITY RATING SYSTEM for Wastewater Projects				
1.J.3	EC	Reserved for EC-Study Program. Please use the appropriate guidance and the rolling application.		5
Maximum points for Category 1 – Project Purpose				25
Subtotal claimed for Category 1 – Project Purpose				
Line Item #	EC Line Item <sup>†</sup>	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A – 2.B		Reserved for other programs		
2.C		Project provides a specific environmental benefit		
2.C.1		Project replaces or repairs certain sewer lines, eliminates failed onsite wastewater system or non-discharge system, or resolves managerial, technical & financial issues		15
2.C.2		Project eliminates malfunctioning onsite wastewater systems		10
2.D		Project addresses promulgated but not yet effective regulations		10
2.E		Project directly addresses enforcement documents		
2.E.1		Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, <b>OR</b>		5
2.E.2		Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F		Project includes system merger or regionalization		
2.F.1		Project includes system merger <b>OR</b>		10
2.F.2	EC	Project includes system regionalization and/or system partnerships		5
2.G – 2.H.2		Reserved for other programs		
2.H.3	EC	Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits <b>OR</b>		2
2.H.4	EC	Project addresses PFAS exceeding proposed or promulgated MCL or Hazard Index		5
2.I		Project improves treated water quality by adding or upgrading a unit process		3
2.J – 2.M		Reserved for other programs		
2.N		Project moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain		
2.N.1		Project relocates and/or improves infrastructure to assure continued operation during a 500-year flood event <b>OR</b>		8

Proposed 2025 PRIORITY RATING SYSTEM for Wastewater Projects				
2.N.2		Project relocates and/or improves infrastructure to assure continued operation during a 100-year flood event		5
2.O		Project <u>directly benefits</u> subwatersheds that are impaired as noted on the most recent version of the Integrated Report		20
2.P		Project <u>directly benefits</u> specific classified waters		10
2.Q		Project will result in elimination of an NPDES discharge		3
2.R		Primary purpose of the project is to achieve at least 20% reduction in energy use		5
2.S		Reserved for other programs		
2.T		Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		3
Maximum points for Category 2 – Project Benefits				35
Subtotal claimed for Category 2 – Project Benefits				
Line Item #	EC Line Item <sup>†</sup>	Category 3 – System Management	Claimed Yes/No	Points
3.A		Capital Planning Activities		
3.A.1	EC	Applicant has implemented an Asset Management Plan as of the date of application <b>OR</b>		10
3.A.2	EC	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan		2
3.B	EC	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5% of MHI		5
3.C – 3.E		Reserved for other programs		
3.F		Applicant has completed a local flood resiliency action plan with the proposed project included in the plan		5
Maximum points for Category 3 – System Management				15
Subtotal claimed for Category 3 – System Management				
Line Item #	EC Line Item <sup>†</sup>	Category 4 – Affordability	Claimed Yes/No	Points
4.A		Residential Connections		
4.A.1	EC	Less than 10,000 residential connections <b>OR</b>		2
4.A.2	EC	Less than 5,000 residential connections <b>OR</b>		4
4.A.3	EC	Less than 1,000 residential connections		8
4.B		Current Monthly Combined Utility Rates at 5,000 Usage		

<b>Proposed 2025 PRIORITY RATING SYSTEM for Wastewater Projects</b>				
4.B.1	EC	Greater than the 50 <sup>th</sup> Percentile <b>OR</b>		4
4.B.2	EC	Greater than the 70 <sup>th</sup> Percentile <b>OR</b>		6
4.B.3	EC	Greater than the 85 <sup>th</sup> Percentile <b>OR</b>		8
4.B.4	EC	Greater than the 95 <sup>th</sup> Percentile		10
<b>4.C</b>		Local Government Unit (LGU) Indicators		
4.C.1	EC	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		3
4.C.2	EC	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		5
4.C.3	EC	5 out of 5 LGU indicators worse than state benchmark <b>OR</b>		7
4.C.4	EC	Project benefits disadvantaged areas		5
<b>4.D – 4.G</b>		Reserved for other programs		
<b>Maximum points for Category 4 – Affordability</b>				25
<b>Subtotal claimed for Category 4 – Affordability<sup>‡</sup></b>				
<b>Total of Points for All Categories</b>				
<b>Total Points for EC funding (if applicable)</b>				

† Only line items marked with “EC” will be used in scoring eligible applications for CWSRF-EC funding. These applications will also be scored using the full PRS for all other drinking water funding sources.

‡ Local government units under Local Government Commission’s fiscal control that have received an Emergency Operating Grant under NC GS 159G-34.5 in the current or prior fiscal year qualify for the maximum points for Category 4: Affordability.